

Message Text

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EXDIS

MOSCOW PLEASE PASS TO SECRETARY SIMON'S PARTY

E.O. 11652: GDS

TAGS: OVIP (SIMON, WILLIAM E.) IN

SUBJ: SECRETARY SIMON'S VISIT TO INDIA--BOMBAY SPEECH

REF: STATE 80251

BEGIN SUMMARY. IN PERHAPS A SLIGHTLY LONG WINDED WAY WE TRY TO EXPLAIN WHY THE SPEECH SHOULD FOCUS ON THE INITIAL THEMES OF ENERGY AND INTERNATIONAL FINANCIAL PROBLEMS AND OMIT COMMENTS ON INDIAN ECONOMIC POLICY. END SUMMARY.

1. IN CONSIDERING A SPEECH HERE BY A MAJOR US OFFICIAL, WE HAVE KEPT IN MIND BOTH THE CURRENT STATE OF PLAY IN INDO-US RELATIONS AND THE DOMESTIC POLITICAL STRUGGLE WHICH ABSORBS MOST OF THE INDIAN ELITE. SINCE THE PAKISTAN ARMS DECISION INDO-US RELATIONS HAVE BEEN CORRECT BUT COOL. THERE HAS BEEN MUCH CRITICISM OF THE US, AND THE INDIANS, PROBABLY TEMPORARILY, HAVE DAMPENED DOWN MOST OF OUR JOINT ACTIVITIES, INCLUDING THOSE IN THE ECONOMIC FIELD. THE AMBASSADOR HAS BEEN DEALING WITH THIS SITUATION BY SITTING TIGHT. THE INDIANS NEED US MORE THAN WE NEED THEM. IF THEY WISH TO BE COOL, WE WILL WAIT TILL THEY FEEL LIKE WARMING UP; IT IS UP TO THEM TO TAKE THE INITIATIVE. IN THE MEANTIME WE ARE NOT TELLING THE INDIANS ABOUT THE BENEFITS OF BETTER BILATERAL RELATIONS OR GIVING THEM ANSWERS TO THEIR
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PROBLEMS. WE ARE TRYING TO MAKE IT CLEAR THAT WE ARE

ARE PREPARED TO HAVE A MUTUALLY BENEFICIAL RELATIONSHIP, PARTICULARLY IN THE ECONOMIC SECTOR, IF INDIA MAKES IT CLEAR IT WANTS SUCH A RELATIONSHIP AND IS PREPARED TO CREATE A CLIMATE IN INDIA WHICH WILL SUPPORT IT. IF INDIA DOES NOT WISH THIS, WE ARE PREPARED TO CONFINE OUR MUTUAL ACTIVITIES LARGELY TO THE HUMANITARIAN AND CULTURAL FIELDS. THE INDIANS HAVE NOT RESPONDED AS YET TO THIS APPROACH AND IT WOULD BE DIFFICULT TO PREDUCT EXACTLY WHAT WILL OCCUR.

2. DOMESTICALLY, INDIANS ARE ENGAGED IN A STRUGGLE BETWEEN THOSE WHO BELIEVE THAT THE SOLUTION TO INDIA'S STAGNATION AND INCREASING PROVERTY AND DISPARITIES IN STANDARDS OF LIVING IS A TURN TO THE EGALITARIAN LEFT WITH THE EMPHASIS ON DISTRIBUTION, VERSUS THOSE WHO FAVOR SOME REDUCTION OF STIFFLING DOMESTIC CONTROLS AND A PRIMARY FOCUS ON GREATER PRODUCTION. TO THIS IS ADDED THE PERSONAL STRUGGLE BETWEEN THE PRIME MINISTER AND J P NARAYAN, THE CHARISMATIC LEADERS, AT A TIME WHEN THERE IS WIDESPREAD DISCONTENT WITH THE MORAL AND INTELLECTUAL LEADERSHIP IN INDIA.

3. IN VIEW OF ALL THIS, THE AMBASSADOR BELIEVES THAT THIS IS NOT THE TIME FOR A MAJOR US LEADER TO DELIVER WHAT INDIANS WOULD SEE AS AN ATTACK ON THE STRUCTURE OF INDIAN ECONOMIC POLICY. EVEN THOSE WHO AGREE MIGHT FIND IT DIFFICULT TO ACCEPT THAT THE WAY TO SUCCESS IS TO BE LIKE KOREANS, BRAZILIANS OR JAPANESE. FEW, EVEN ON THE "RIGHT" IN INDIA, WOULD CONCUR THAT FREE ENTERPRISE AND MULTINATIONAL BUSINESS IS THE SOLUTION EITHER. FINALLY, WHILE PARLIAMENT IS IN SESSION AND THE GOVERNMENT IS VULNERABLE TO JINGOIST ATTACK, WE BELIEVE IT IS TACTICALLY THE WRONG TIME TO FOCUS ON DEBT RESCHEDULING IN A PUBLIC SPEECH, CONSIDERING THAT THE GOI MAY PRIVATELY BE MOVING TOWARD ACCEPTING A SOLUTION WHEREBY OTHERS WILL RESCHEDULE AND WE WILL NOT. THESE ARE ALL THOUGHTS WHICH SHOULD BE EXPLORED PRIVATELY AND FRANKLY WITH GOI LEADERS BUT NOT IN PUBLIC.

4. WE WOULD PREFER THAT THE SPEECH DEVELOP FURTHER THE THEMES WITH WHICH IT OPENS, I.E., ENERGY AND MULTILATERAL FINANCIAL PROBLEMS. CERTAINLY SOME REFERENCE TO INDIA IS CONFIDENTIAL

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APPROPRIATE. WE WOULD SUGGEST STRESSING TRADE AND STAYING AWAY FROM INVESTMENT WHICH IS SIMPLY TOO COMPLICATED AND POLITICALLY LOADED IN INDIA TO HANDLE IN A BRIEF MANNER. SIMILARLY, THE SUBJECT OF AID, PAST, PRESENT OR FUTURE, BILATERAL OR MULTILATERAL OPENS A PANDOR'S BOX. TO BE MORE SPECIFIC, EXPAND THE OPENING THEMES BUT DROP ALMOST EVERYTHING FROM THE PARAGRAPH BEGINNING "GIVEN THE NEED" ON.

5. ONE MINOR SPECIFIC. THE PARAGRAPH ON INDIA'S TRADE WITH THE US SUFFERS FROM DATED STATISTICS AND SHOULD BE REPLACED ALONG THE FOLLOWING LINES: "IN 1974 THE US IMPORTED DOLS 570 MILLION FROM INDIA AND WE WERE PROBABLY INDIA'S SECOND LARGEST CUSTOMER (AFTER JAPAN). IN THE SAME YEAR WE EXPORTED DOLS 722 MILLION WORTH OF GOODS TO INDIA AND WERE INDIA'S LARGEST SUPPLIER. TAKING IMPORTS AND EXPORTS TOGETHER, THE UNITED STATES WAS INDIA'S LARGEST TRADING PARTNER. AND YET..." (CONTINUE WITH EXAMPLES OF HOW INSIGNIFICANT THIS TRADE WAS AS A SHARE OF OVERALL US TRADE).
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